

**MAGNET FORENSICS INC.**  
**AUDIT AND RISK COMMITTEE CHARTER**

**Effective Date: December 9, 2020**

**1. Purpose and Scope**

The Audit and Risk Committee (the “**Committee**”) of Magnet Forensics Inc. (the “**Company**”) is a committee of the Board of Directors (the “**Board**”). As delegated by the Board, the Committee shall attend to the responsibilities set out in this Charter.

**2. Membership**

***Number of Members***

The Committee shall be composed of three or more members of the Board.

***Independence of Members***

Each member of the Committee shall be independent within the meaning of the provisions of National Instrument 52-110 – *Audit Committees*, as may be amended or replaced from time to time.

***Term of Members***

The members of the Committee shall be appointed annually by the Board. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board.

***Committee Chair***

At the time of the annual appointment of the members of the Committee, the Board may appoint a Chair of the Committee (the “**Committee Chair**”). If a Committee Chair is not appointed by the Board, the members of the Committee shall designate a Committee Chair by majority vote of the full Committee membership. The Committee Chair must be a member of the Committee.

In the absence of the Committee Chair at a meeting of the Committee, the members of the Committee present may appoint a chair from their number for such meeting.

***Financial Literacy of Members***

At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

**3. Meetings**

***Frequency of Meetings***

The Committee shall meet as often as the Committee considers appropriate to fulfill its responsibilities, but in any event at least once per fiscal quarter.

### ***Quorum***

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum.

### ***Calling of Meetings***

The Committee Chair, any member of the Committee, the external auditors, the Chair of the Board, the Lead Director (if any), the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Committee by notifying the Company's Corporate Secretary will notify the members of the Committee.

### ***Minutes; Reporting to the Board***

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. However, the Committee Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board.

### ***Attendance of Non-Members***

The external auditors are entitled to receive notice of, to attend and be heard at each Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Company, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities.

At least once per year, the Committee shall meet with management to discuss any matters that the Committee or such individuals consider appropriate.

### ***Meetings Without Management***

As part of each meeting of the Committee, the Committee shall hold an *in camera* session, at which management and non-independent directors of the Board are not present, and the agenda for each Committee meeting will afford an opportunity for such a session.

### ***Access to Management and Books and Records***

The Committee shall have unrestricted access to the Company's management and employees and the books and records of the Company and, from time to time may hold unscheduled or regularly scheduled meetings or portions of meetings in executive session or otherwise with the Company's auditors, the Chief Financial Officer, the Chief Executive Officer or the General Counsel.

## **4. Responsibilities**

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the functions and responsibilities required of an audit committee by any exchange upon which securities of the Company are traded, or any

governmental or regulatory body exercising authority over the Company, as are in effect from time to time (collectively, the “**Applicable Requirements**”) or as the Board otherwise deems necessary or appropriate.

### **Financial Reports**

#### **(a) General**

The Committee is responsible for overseeing the Company’s financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Company’s financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Company.

The Company’s external auditors are responsible for auditing the Company’s annual consolidated financial statements and for reviewing the Company’s unaudited interim financial statements.

#### **(b) Review of Annual Financial Reports**

The Committee shall review the annual financial statements of the Company. After completing its review, if advisable, the Committee shall approve and recommend the annual financial statements for Board approval.

If required pursuant to the Applicable Requirements, the Committee shall review the annual consolidated audited financial statements of the Company, the auditors’ report thereon and the related management’s discussion and analysis of the Company’s financial condition and financial performance (“**MD&A**”). After completing its review, if advisable, the Committee shall approve and recommend the annual financial statements and the related MD&A for Board approval.

#### **(c) Review of Interim Financial Reports**

The Committee shall review the interim consolidated financial statements of the Company, the auditors’ report thereon and if required pursuant to the Applicable Requirements, the related MD&A. After completing its review, if advisable, the Committee shall approve and recommend the interim financial statements and the related MD&A (if applicable) for Board approval.

#### **(d) Review Considerations**

In conducting its review of the annual financial statements or the interim financial statements, the Committee shall:

- (i) meet with management and the auditors to discuss the financial statements and if applicable, the MD&A;
- (ii) review the disclosures in the financial statements;
- (iii) review the audit report or review report prepared by the external auditors;
- (iv) discuss with management, the auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the Company’s financial statements;

- (v) regularly review the Company's critical accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;
- (vi) consider the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
- (vii) review management's process for formulating sensitive accounting estimates and the reasonableness of these estimates;
- (viii) review significant recorded and unrecorded audit adjustments;
- (ix) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under applicable generally accepted accounting principles ("**GAAP**");
- (x) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;
- (xi) inquire at least annually of both the Company's management, accounting group and the Company's auditors as to whether either has any concerns relative to the quality or aggressiveness of management's accounting policies;
- (xii) review with the auditors alternative accounting treatments that have been discussed with management;
- (xiii) review with management any significant changes in GAAP, as well as emerging accounting and auditing issues, and their potential effects;
- (xiv) review with management matters that may have a material effect on the financial statements;
- (xv) review management's report on the effectiveness of internal controls over financial reporting;
- (xvi) review the factors identified by management as factors that may affect future financial results;
- (xvii) review results of the Company's audit committee whistleblower hotline program; and
- (xviii) review any other matters, related to the financial statements, that are brought forward by the auditors, management or which are required to be communicated to the Committee under accounting policies, auditing standards or Applicable Requirements.

(e) **Other Financial Disclosures**

The Committee is responsible for reviewing financial disclosure in a prospectus or other securities offering document of the Company, as well as press releases disclosing, or based upon, financial results of the Company and any other publicly disseminated material financial disclosure, including, in accordance with any Disclosure Policy adopted by the Company, material financial outlook (e.g., earnings guidance) and forward-oriented financial information (e.g., forecasted financial statements) provided to analysts, rating agencies or otherwise publicly disseminated, and any non-GAAP financial measures.

The Committee is responsible for ensuring that satisfactory procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assessing those procedures.

**External Auditors**

(a) **General**

The Committee shall be directly responsible for oversight of the work of the auditors, including the auditors' work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work. When a change of auditors is proposed, the Committee shall review all issues related to the change, including the information required to be disclosed by applicable legal requirements and the planned steps for an orderly transition.

(b) **Nomination and Compensation**

The Committee shall review and, if advisable, recommend for Board approval the external auditors to be nominated and shall approve the compensation of such external auditor. The Committee shall have ultimate authority to approve all audit engagement terms and fees, including the auditors' audit plan.

(c) **Resolution of Disagreements**

The Committee shall assess the effectiveness of the working relationship of the external auditors with management and resolve any disagreements between management and the external auditors as to financial reporting matters brought to its attention.

The Committee shall review all reportable events, including disagreements, unresolved issues and consultations with the Company's auditors, whether or not there is to be a change of auditors, and receive and review all reports prepared by the auditors.

(d) **Discussions with Auditors**

At least annually, the Committee shall discuss with the auditors such matters as are required by applicable auditing standards to be discussed by the auditors with the Committee.

(e) **Audit Plan**

At least annually, the Committee shall review a summary of the auditors' annual audit plan. The Committee shall consider and review with the auditors any material changes to the scope of the plan.

(f) **Quarterly Review Report**

The Committee shall review a report prepared by the auditors in respect of each of the interim financial statements of the Company.

(g) **Independence of Auditors**

At least annually, and before the auditors issue their report on the annual financial statements, the Committee shall obtain from the auditors a formal written statement describing all relationships between the auditors and the Company; discuss with the auditors any disclosed relationships or services that may affect the objectivity and independence of the auditors; and obtain written confirmation from the auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which the auditors belong and other Applicable Requirements. The Committee shall take appropriate action to oversee the independence of the auditors.

(h) **Evaluation and Rotation of Lead Partner**

At least annually, the Committee shall review the qualifications and performance of the lead partner(s) of the auditors and determine whether it is appropriate to adopt a policy of rotating lead partners of the external auditors.

(i) **Requirement for Pre-Approval of Non-Audit Services**

The Committee shall approve in advance any and all audit services and permissible non-audit services to be performed by the auditors for the Company or its subsidiary entities that it deems advisable in accordance with Applicable Requirements and Board approved policies and procedures, and adopt and implement policies for such pre-approval. The Committee shall consider the impact of such service and fees on the independence of the auditor. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any member of the Committee to whom this authority has been delegated must be presented to the full Committee at its next scheduled Committee meeting.

(j) **Approval of Hiring Policies**

The Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

(k) **Financial Executives**

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Compensation, Corporate Governance and Nominating Committee, as appropriate.

***Internal Controls***

(a) **General**

The Committee shall review the Company's system of internal controls.

**(b) Establishment, Review and Approval**

The Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Committee shall consider and review with management and the auditors:

- (i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Company's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;
- (ii) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Company's periodic regulatory filings, if such filings are required pursuant to the Applicable Requirements;
- (iii) any material issues raised by any inquiry or investigation by the Company's regulators;
- (iv) the Company's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and
- (v) any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

***Risk Management***

The Committee shall be responsible for overseeing management's identification and assessment of the principal risks to the operations of the Company and the establishment and management of appropriate systems to manage such risks with a view to achieving a proper balance between risks incurred and potential return to holders of securities of the Company and to the long-term viability of the Company. In this regard, the Committee shall require management to report on a quarterly basis to the Committee, and on a quarterly basis, the Committee shall review reports provided by management on the risks inherent in the business of the Company (including appropriate crisis preparedness, business continuity, information system controls, cybersecurity and disaster recovery plans), the appropriate degree of risk mitigation and risk control, overall compliance with and the effectiveness of the Company's risk management policies, and residual risks remaining after implementation of risk controls. The Committee shall report to the Board on a quarterly basis, with respect to the principal risks faced by the Company and the steps implemented by management to manage these risks.

### ***Compliance with Legal and Regulatory Requirements***

The Committee shall review reports from the Company's General Counsel and other management members on: (i) legal or compliance matters that may have a material impact on the Company; (ii) the effectiveness of the Company's compliance policies; and (iii) any material communications received from regulators. The Committee shall review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.

### ***Whistleblower Procedures***

With the assistance of the Compensation, Corporate Governance and Nominating Committee, the Committee shall establish procedures in compliance with applicable law for (i) the receipt, retention, and treatment of complaints received by the Company, whether through the whistleblower hotline or otherwise, regarding violations of or non-compliance with the Code of Conduct, accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Any such complaints or concerns that are received shall be reviewed by the Committee and, if the Committee determines that the matter requires further investigation, it will direct the Committee Chair to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management and the general counsel to reach a satisfactory conclusion.

### ***Audit and Risk Committee Disclosure***

The Committee shall prepare, review and approve any audit and risk committee disclosures required by Applicable Requirements in the Company's disclosure documents.

### ***Delegation***

The Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee to review any matter within this mandate as the Committee deems appropriate.

## **5. Conflicts of Interest**

The Committee shall review the Company's policies relating to the avoidance of conflicts of interest and review and approve all payments to be made pursuant to any related party transactions involving executive officers and members of the Board, as required by any regulatory body. The Committee shall consider the results of any review of these policies and procedures by the Company's auditors.

## **6. Outside Advisors**

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and duties as described above, and may seek, retain and terminate accounting, legal, consulting or other expert advice from a source independent of management, at the expense of the Company, with notice to either the Chair of the Board, the Lead Director (if appointed) or the Chief Executive Officer of the Company, as deemed appropriate by the Committee. In furtherance of the foregoing, the Committee shall have the sole authority to retain and terminate any such consultant or advisor to be used to assist in the

evaluation of such matters and shall have the sole authority to approve the consultant or advisor's fees and other retention terms.

**7. No Rights Created**

This Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the committees of the Board assist the Board in directing the affairs of the Company. While it should be interpreted in the context of all Applicable Requirements, as well as in the context of the Company's Articles and By-laws, it is not intended to establish any legally binding obligations.

**8. Charter Review**

The Committee shall review and update this Charter annually and, in conjunction with the review and recommendations of the Compensation, Corporate Governance and Nominating Committee regarding same, present the updated Charter to the Board for approval.